# Potential Financial Incentives for Infill Development

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# Objective

- Establish a package of financial resources/tools to support
- Improved planning activities
- Mitigation including open space protection
- Development of new infrastructure
- Enhanced local community services

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## Infrastructure Financing Districts (IFDs)

- Cities and counties can create IFDs using property tax increment financing to pay for public works (Govt. Code § 53395, et seq)
- IFDs have some drawbacks/issues to consider:
  - Outside redevelopment project areas—"substantially undeveloped/green areas" only and no O&M
  - Schools' share of property tax increment revenues (53%) cannot go to IFDs
  - Other taxing agencies must grant approval for IFDs to collect their portion of increment revenues
  - Political viability of eminent domain provisions



## Integrated Financing District Act (IFDA)

- An alternative method of financing public facilities include the IFDA (Govt. Code § 53175, et seq)
- The IFDA takes two approaches for assessments:
  - <u>Contingent Assessment</u> (for new development) -- levy assessment contingent upon *future* land development and payable at the time of tentative map approval, appraisal, final subdivision, building permit or zone change
  - <u>Non-Contingent Assessment</u> (for existing development) -- levy assessment or special tax, pursuant to one of several traditional financing Acts (§ 53187 (b))

## IFDA for Infill Development

- To use the IFDA for infill development, specific amendment considerations:
  - Expand use of contingent assessment to include environmental mitigation and O&M (not limited to capital facilities)
  - Shorten timeframe for reconsideration to less than 1 year -- under current law, a local agency cannot proceed for 1 year if more than 50 percent of the property owners protest
  - Reconcile provisions of the IFDA with Prop 218 – draft amendments to avoid Prop 218 or examine initiative process to remove voter provision for infill projects



## Leverage Private Capital

- Govt Code § 5956, et seq. authorizes local government agencies to use private investment capital to develop fee producing infrastructure projects.
- A "fee producing" facility means the operation of the project will be paid for by the persons or entities benefited by or using the project/facilities.
- Types of projects include transportation facilities: commuter and light rail projects, highways, bridges and tunnels.
- A competitive negotiation process is authorized (§5956.4) and general agreement terms are delineated (§5959.6).

# Amendment Considerations to Leverage Private Capital

- Amendment recommendations are as follows:
  - Types of projects and related sections to identify environmental mitigation for infill development
  - Strike language prohibiting the use of this authority to finance state projects
  - Amend 35 year limitation on lease and/or ownership of facility by the private entity to a longer term – allowing for enough time to recoup investment



# Thank You

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